

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-1: On page 2 of the Company's Motion, Berkshire states that while it was awaiting responses to Berkshire's Request for Proposals ("RFP"), it terminated negotiations with BP Energy without reaching an agreement and elected not to renew the Gas Portfolio Optimization Agreement and the Gas Sales Purchase Agreement approved in D.T.E. 01-41 ("2001 Agreement").

- (1) Please explain the specific reasons for terminating negotiations with BP Energy without reaching an agreement and the reasons for the Company electing not to renew the 2001 Agreement.
- (2) Please explain whether the Company performed an evaluation of BP Energy's performance under the 2001 Agreement. If an evaluation was made, what were the main findings or conclusions? Please provide copies of all evaluation reports of BP Energy's performance under the 2001 Agreement. If no evaluation was made, please explain why.

Response:

- (1) See response to information request AG-1-18.
- (2) The Company worked closely with BP Energy on a daily basis. Accordingly, the Company maintained a general understanding of BP Energy's performance. The Company also performed more detailed evaluations of BP Energy's performance under the 2001 Agreement on a monthly basis by reviewing the monthly optimization reports and comparing those results to pricing in the marketplace. Finally the Company, along with the other Energy East companies, elected to perform an audit to evaluate BP Energy's procedures. As stated in the Company's response to information request AG-1-18, BP Energy's performance reflected market conditions during the term of the agreement, particularly in the winter of 2001/2002. Notably, market conditions varied significantly from historical experience, resulting in lower optimization dollars. Despite the reduced market values, the Company was satisfied with the performance of BP Energy. See response to information request AG-1-2.

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**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-2: Please refer to page 2 of the Motion. Please explain how “disappointing” the responses to Berkshire’s RFP were, which prompted the Company to participate in a coordinated competitive bidding and negotiation among the Company, New York State Electric and Gas Corporation (“NYSEG”), Connecticut Natural Gas Corporation (“CNG”), Southern Connecticut Gas Company (“SCG”) and Energy East Company (“EEC”)? In your response, please explain the bid solicitation process and the criteria that the Company used to evaluate the bids that were submitted in response to Berkshire’s RFP. Please provide a report on how each bid was evaluated.

Response: See the response to information request AG-1-15 for the bids provided in response to Berkshire’s RFP. As a general matter, the bids reflected what the Company perceived as a market trend of reducing value for the Company’s capacity and supply assets. That is, the bids reflected the actual market conditions that were in effect during the winter 2001/2002 period. Specifically, the natural gas market enjoyed lower and stable prices during the term of the initial agreement with BP Energy. While these conditions resulted in reduced gas costs for the Company’s customers, there were reduced opportunities for optimization transactions. In evaluating the responses to the Berkshire RFP, the Company did not believe that it was appropriate to accept proposals that provided significantly less than the optimization dollars that had been achieved previously. Further, if the Company accepted any of these proposals, there would be no upside potential for the Company or its customers if the market conditions were reversed in the winter 2002/2003 period. Thus, Berkshire determined it was more appropriate to participate in a coordinated competitive bidding and negotiation process with the other Energy East companies in order to further evaluate market opportunities.

The criteria the Company used to evaluate the bids were described in Section J, page 13, of the Berkshire RFP. Berkshire went through a robust, competitive solicitation for third parties to optimize the portfolio. Eight recipients were issued an RFP, however, only half of those recipients responded. See response to information request DTE-1-3 for a list of the recipients.

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Witness: Karen L. Zink

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Question:

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**

Date: **May 22, 2002**

Question:

D.T.E. 1-3: Please refer to page 2 of the Motion. Please explain how Berkshire's RFP differed from the Joint RFP issued by the Company and NYSEG, CNG, SCG and EEC. Please submit copies of Berkshire's RFP and the Joint RFP, indicating the names of the companies that:

- (1) were issued Berkshire's RFP and the joint RFP
- (2) responded to Berkshire's RFP and the joint RFP

Response: [INTENTIONALLY OMITTED]

****CONFIDENTIAL AND PROPRIETARY****

****PROTECTIVE TREATMENT****

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-4: Please refer to page 2 of the Motion. Please explain in detail the bid solicitation process and the criteria that Berkshire and the other LDCs used to evaluate the bids that were submitted in response to the Joint RFP. Please provide a report on how each bid was evaluated and how the winning bid was selected.

Response: Initially, the Energy East companies solicited bids from eleven (11) parties (see response to information request DTE-1-3). Nine (9) parties responded to the Joint RFP. Each respondent's bid or proposal was evaluated on both price and non-price factors, including the following: the capability to perform the required services; the availability of reliable supplies necessary to meet the companies' supply requirements; the organizational experience in portfolio services, achievement of savings and back office capability; the financial strength of the respondent, and the ability to provide satisfactory credit support; the ability to manage financial and physical risk; and, the level of savings to be realized by the companies and their customers. If there were questions or clarification was needed, the bidders were contacted and asked to respond or provide additional information. Following the initial evaluation, the company selected and met with those bidders whose bids appeared to provide Berkshire and the Energy East companies with the best opportunity to maximize their portfolios. On the basis of meetings with these bidders, BP Energy was selected for more detailed negotiations ultimately resulting in the execution of the agreements submitted in this proceeding.

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-5: Please refer to page 2 of the Motion. Please explain why the Company considers it “important” to permit BP Energy to submit a proposal in response to the Joint RFP.

Response: See response to information request DTE 1-1. In addition, the Company was aware of the substantial resources and expertise that BP Energy maintains. The Company hoped to ensure that any solicitation was as robust as possible and that all potential opportunities for the benefit of customers were identified and considered. The Company also wished to secure bids that reflected the latest market conditions. Finally, the Company believed that BP Energy would provide its best proposal if there were other competitors included in the process. Accordingly, by providing the Joint RFP to BP Energy, the Company gave BP Energy the opportunity to submit a proposal in response to the Joint RFP.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-6: Please refer to page 2 of the Motion. Please describe the modifications that BP Energy made to the 2001 Agreements which were reflected within BP Energy's bid. Please explain whether these modifications resulted from negotiations with the Company.

Response: In its proposal, dated January 14, 2002, BP Energy addressed contract provisions relating to the term, aggregate minimum savings, gulf coast sole supplier, sharing levels and reservation charges. Final agreement with respect to the terms and conditions relating to those areas as well as to other areas which differed from the 2001 Agreement (e.g., storage levels, Section 4.14; conditions to effectiveness, Sections 3.1 and 13.3; and the Netting Agreement) resulted from negotiations.

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-7: Please refer to page 2 of the Motion. The Company states that: "persons from the other EEC local distribution companies and BP Energy's dedicated experts will assist the Company in establishing and implementing resource strategies." Please explain whether the services of these outside experts will be free or will be at a cost to the Company? If at a cost to the Company, please explain how the Company intends to recover these costs and reference the appropriate sections of the Optimization Agreement?

Response: The only cost to the Company is for the daily gas supply planning services provided to Berkshire by Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company under an affiliate services agreement (see response to information request AG-1-19). These costs are not included in the Company's base rates, and thus, are not currently being recovered from the Company's customers.

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-8: Please refer to page 3 of the Motion. Please explain why Berkshire did not receive an interim audit report or a final audit report of the results of operations pursuant to the 2001 Agreements before entering into the 2002 Agreements with BP Energy. Please explain what happens to the Optimization Agreement and Purchase Agreement if the audit report of the results of operations pursuant to the 2001 Agreements is unsatisfactory. Please reference all appropriate sections of the Optimization Agreement, concerning this issue, and provide a copy of the credit interim and final reports.

Response: In order to meet regulatory time constraints, negotiations for the potential extension of the relationship with BP Energy began merely seven months following the commencement of the term of the 2001 Agreement. Conducting an interim audit would have been neither economically nor operationally feasible. Although BP Energy and the Energy East companies executed the Agreement prior to the completion of an audit, the Energy East companies preserved their rights under Section 3.1 by making a satisfactory audit a condition to the effectiveness of the Agreement. Determining what happens if the audit is not satisfactory is dependent on why the audit is unsatisfactory and whether the problem or issue can be corrected. If a problem can be corrected, it will be and the Agreement will remain in full force and effect. In the event a problem cannot be corrected, the Company and BP Energy will discuss ways to modify the Agreement in a manner satisfactory to both parties. A dispute arising from the audit report which cannot be resolved by the parties themselves then could be referred to authorized officers of either party, as provided for under Section 9.2 of the Agreement. Similarly, in the event the Agreement fails to attain requisite regulatory approvals, the other condition to the effectiveness of the Agreement, the parties are permitted to try to renegotiate the terms of the Agreement under Section 13.3 of the Agreement.

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-9: Please refer to pages 14 and 62 of the Optimization Agreement. Please explain BP Energy's role in negotiating any new contracts that Berkshire might enter into with third parties, including the purchase of spot gas, while the Optimization and Purchase Agreement are in force.

Response: BP Energy will not play a role in negotiating any new contracts that Berkshire might enter into with third parties. All contract decisions outside of this Agreement will be made at the sole discretion of the Company. As stated in section 2.4 of the Gas Portfolio Optimization Agreement, BP "shall not have the right to terminate, renew, modify or amend any contract or agreement". The Portfolio Agreement is structured such that the Company will continue to control and operate its resource portfolio. See also the Company's response to information request AG-1-20.

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-10: Please refer to pages 23 through 25 of the Optimization Agreement. Please explain the basis for calculating the Company and BP Energy's shares of savings under the Optimization Agreement and Purchase Agreement in Sections 4.2 (a) and 4.2 (b) and 4.3 (a) and 4.3(b). Specifically, please explain how the percentages in Section 4.2 (a), Section 4.2 (b), Section 4.3 (a), and Section 4.3 (b) were derived.

Response: The percentages in Sections 4.2(a) and 4.2(b) and 4.3(a) and 4.3(b) resulted from negotiations between the Company and BP Energy. As provided for in Sections 4.3(a) and 4.3(b), the Company will receive a greater share of the savings once the Aggregate Savings Sharing Level is reached, thereby providing the Company with the upside potential if market conditions return to historic parameters. Allowing BP Energy to continue sharing in savings is a performance incentive for BP Energy.

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**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-11: Please refer to page 29, Section 4.11, of the Optimization Agreement. Please explain the Interest Rate referred to here.

Response: Interest Rate is defined on page 9, Section 1.32, of the Optimization Agreement.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-12: Please refer to page 31, Section 4.14, of the Optimization Agreement. Please explain the basis for the gas storage level figures for April 1, 2003.

Response: One of the ways the alliance can optimize the portfolio(s) is through the use of storage techniques including supply optimization, storage injections, and storage arbitrage. The estimated optimization value is based on a traditional use of storage – that is, injecting gas into storage in the summer for use in the winter. If storage levels are not at the more traditional levels, it could have an impact on the optimization that can be achieved. Thus, the storage level figures for April 1, 2003 stated within the Optimization Agreement reflect inventory levels that are different from traditional levels at the end of the heating season. It should be noted, however, that there would be an expected offset to any reduction in optimization benefits by serving customers with lower cost gas in the daily market. See response to information request AG-1-2.

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First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-13: Please refer to page 57 of the Optimization Agreement. Please explain what the Company means by "Exhibit B-6 shall be updated by the Parties as often as necessary to ensure least cost path optimization." In your response, please explain why the Agreement cannot be more explicit about the time-table for updating Exhibit B-6.

Response: Exhibit B-6 illustrates the least cost pathing of gas to the Company's service territory to serve its customers on a least cost basis. In the event that the Company obtained, terminated or amended certain transportation contracts, the least cost pathing, currently identified, may change. However, the Company does not anticipate making any changes to its existing transportation contracts during the term of this Agreement.

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-14: Please refer to page 64, Section 12.9, of the Optimization Agreement. Please explain why the special contract supplies listed on Exhibit B-5 will be dispatched outside of the least cost approach.

Response: The contract listed in Exhibit B-5 is a peaking contract that is, in fact, utilized by the Company for least cost, reliable service primarily during the heating season. This contract provides a combination liquid/vapor service to the Company. This resource is an important component of the Company's resource portfolio in that LNG can be utilized to address reliability needs (such as when there are pressure changes on the distribution system) as well as a peaking supply based on degree day analysis. Thus, the purpose of Section 12.9 of the Optimization Agreement is to relieve BP of the obligation to dispatch this particular supply purely on a least cost basis given its critical importance in terms of reliability and flexibility.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-15: Please refer to Exhibit B-2 of the Optimization Agreement. Under “General Guidelines for Portfolio Optimization and Unexpected Transactions”, please explain how the Company intends to measure service reliability and service quality under the transactions.

Response: The purpose of the guidelines is to ensure that service reliability and service quality are of the same, high standards that occur on the Company’s system absent the Optimization Agreement. That is, firm gas arrives at the city gate every day on a least cost basis and the quality of the gas is of pipeline quality. Simply put, the Optimization Agreement is intended to enhance the Company’s least-cost resource plan and to further its portfolio objectives. Importantly, unlike an asset management arrangement, under the alliance structure, the Company maintains full control of its contractual resources.

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-16: Please refer to Exhibit B-1 of the Optimization Agreement. Under “General Guidelines for Portfolio Optimization and Unexpected Transactions”, please give a complete list of the “Portfolio optimization activities undertaken but not described below...”

Response: At this point, there are no other transactions anticipated other than the activities outlined in Exhibit B-1 of the Optimization Agreement. The guidelines were drafted to preserve flexibility and to accommodate other potential transactions that are also consistent with regulatory and corporate policy.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-17: What percentage of the potential savings does the Company anticipate will result from strategies that use derivatives? Please clearly indicate the role and magnitude that derivatives will play in achieving any savings.

Response: Any derivative transaction will be entered into by BP Energy. The amount of savings generated by BP Energy using derivatives will be a function of market conditions. BP Energy uses derivatives for hedging purposes primarily in the area of storage optimization to capture the value associated with accelerating or deferring injections. The alliance can accelerate or defer this injection because of the increased flexibility generated from managing the storage contracts of all the Energy East LDCs together. While it is difficult to forecast how much potential savings would come from this activity, the alliance achieved approximately 15% of savings from storage optimization in the past year.

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-18: Please submit a copy of the NYSEG risk-management policy referred to in Exhibit B-3 of the Company's filing.

Response: [INTENTIONALLY OMITTED]

****CONFIDENTIAL AND PROPRIETARY****

****PROTECTIVE TREATMENT****

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-19: Has Berkshire examined the NYSEG risk-management policy?

Response: Berkshire has examined the NYSEG risk-management policy and it is essentially the same as the Berkshire risk-management policy. The only differences between the two are reflected in the General Procedures, paragraphs (2) and (3), which refer to (a) who is authorized to enter into transactions and which organization will establish counterparty credit limits, and (b) which organization will be notified of transactions, respectively.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-20: How familiar are Berkshire staff-members with the asset-optimization strategies that BP will execute under this agreement? Please clearly indicate the depth of understanding that Berkshire has regarding the asset management and optimization strategies that may be used by BP.

Response: Berkshire devoted several employees to the optimization process pursuant to the BP Energy Agreement. As a result of the daily discussions with affiliated experts and the BP Energy experts working with the alliance, Company employees gained substantial and valuable experience in a variety of optimization strategies and transactions. The Company anticipates further and substantial training benefits during the two-year term of the proposed agreements and expects to be in a greater position to exploit optimization-related opportunities upon the expiration of the term of the proposed agreements.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-21: Please refer to page 13 of the Company's filing. Section 1.3 states "The Parties have developed and implemented written operating procedures applicable to the conduct of the Parties under the terms hereof". Please provide a copy of the above mentioned "operating procedures".

Response: See response to information request AG-1-19. These procedures may be updated as necessary to reflect operating conditions.

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-22: Please refer to section 2.1 on page 13 of the Company's filing. Please describe any benefits, other than a reduction in gas costs, that may be achieved through the cooperative.

Response: The Company notes that the reduction of gas price volatility and securing savings for customers were the primary benefits pursued by the alliance structure. Berkshire also anticipates identifying and exploiting opportunities for reliability or flexibility benefits. In addition, the Company will continue to enjoy the benefits associated with training and the development of market knowledge. The Company expects to apply this greater experience to the continuing achievement of its least cost resource plan. See the response to Information Request D.T.E. 1-20.

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-24: What percentage of Berkshire's total gas supply will BP control?

Response: [INTENTIONALLY OMITTED]

****CONFIDENTIAL AND PROPRIETARY****

****PROTECTIVE TREATMENT****

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-25: Please clearly define and illustrate how BP will determine the commodity cost of gas when calculating the marginal cost of gas supply under the Company's savings calculation methodology (Exhibit B-1).

Response: [INTENTIONALLY OMITTED]

****CONFIDENTIAL AND PROPRIETARY****

****PROTECTIVE TREATMENT****

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-26: Will any index publications be used as a component to deriving the marginal cost of gas supply? If so, please identify the publications, and indexes that will be used.

Response: Please see response to information request DTE-1-25. The index publications that may be used are outlined in Article 12 of the Optimization Agreement. Indices are also referenced in Article V of the Gas Sales and Purchase Agreement.

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-28: Please identify the total aggregate savings (for Berkshire) that were realized in the 2001 Agreement.

Response: See response to information request AG-1-2.

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-29: How long has BP Energy been engaged in the businesses of trading, selling and marketing of gas risk management and management of Gas supplies associated with the purchase and/or sale of Gas and storage transportation capacity? How did the Company learn about BP's experience in these matter?

Response: BP Energy Company was incorporated and commenced operations in 1985 under the name of Amoco Energy Trading Corporation, with a name change to BP Energy Company in 2000. At the time of its incorporation or shortly thereafter, BP Energy Company began marketing, selling and trading natural gas. In the early 1990's with the opening of trading of natural gas futures contracts on the New York Mercantile Exchange, BP Energy company expanded its trading practices to encompass risk management activities.

BP Energy's history reaches back into the 1860's. BP Energy is comprised of four historical companies, which are now together under BP Energy: 1) ARCO was founded in 1866, 2) Amoco was founded in 1889, 3) Burmah-Castrol was registered in 1886, and 4) BP itself has origins back to the year 1901.

In terms of business operations, BP p.l.c., formerly known as BP Amoco p.l.c., is an oil company whose main businesses are Exploration and Production, Gas and Power, Refining and Marketing, and Chemicals.. In addition, the Company has a solar energy business, which is one of the world's largest manufacturers of photovoltaic modules and systems. The Company has well established operations in Europe, the United States, Canada, South America, Australia and parts of Africa.

This summary was obtained from BP Energy and reflects other information available from their website, www.bpenergy.com.

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**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-30: With what other LDCs has BP previously had or currently has Gas Portfolio Optimization Agreements, in addition to the Energy East Affiliates?

Response: Please refer to the response to information request AG-1-15. The BP Energy bid identifies several companies for which they provided asset management or agency transactions.

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**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

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Question:

D.T.E. 1-31: Of the LDCs that currently have Gas Portfolio Optimization Agreements with BP, what has been the result of those contracts? Has there been savings? As a whole, what percentage of savings over previous programs? What type of market research did the Company perform to gather such information?

Response: The Company is not aware of the results of those contracts due to the highly confidential nature of those transactions.

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-32: Please further define the expertise that BP will offer the Company in the areas of cost-effectiveness under supply, transportation, storage services, risk management and the market.

Response: BP Energy Company ("BP") participates in all major markets across the United States, obtaining pertinent information which is made available to traders and optimizers undertaking activities pursuant to the Gas Portfolio Optimization Agreement on behalf of Berkshire Gas Company and the other Energy East companies. BP brings supply diversity (access to all major gulf coast production areas through BP Energy affiliate produced quantities and third party purchases) and supply flexibility through the use of its Operational Balancing Agreements, pooling arrangements and receipt point flexibility. BP also has the ability to move Firm Transportation receipt points to wellhead specific points, thus protecting against curtailments during force majeure situations.

BP provides expertise and a dedicated storage management team focused on daily storage price arbitrage/value extraction as opportunities arise. The team is dedicated to enhancing the value of the Gas Portfolio Optimization Agreements by focusing on daily optimization of transportation and delivered supplies (extraction of financial value without dilution of service). Risk management activities, designed to maintain any value extracted, are handled through the BP Energy team.

This summary was obtained from BP Energy.

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-33: How were the amounts derived for:

- a. Aggregate Minimum Savings
- b. Aggregate Savings Sharing Level
- c. Benchmark Amount

Response: See response to information request AG-1-10.

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First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-34: What other means may BP employ in using the Portfolio to provide least cost, reliable service, other than the examples given on page 15?

Response: [INTENTIONALLY OMITTED]

****CONFIDENTIAL AND PROPRIETARY****

****PROTECTIVE TREATMENT****

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-35: What is the name of the system that BP will install to monitor the transactions in the portfolio? How long has it been used by BP? With what results? Who will monitor this system ?

Response: BP employs an Energy Trading ("ET") system to input and track transactions, and run necessary reports associated with transactions undertaken pursuant to the Gas Portfolio Optimization Agreements. Within the ET system, BP Energy has created a separate "operating group" for this transaction. The creation of the separate operating group permits the segregation from other BP Energy transactions, and the tracking of all transactions undertaken pursuant to the Gas Portfolio Optimization Agreements.

This summary was provided by BP Energy.

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THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-36: Please explain #10 under the Netting Agreement, Exhibit B-9 of the Optimization, where it refers to a “forward contract” within the meaning of the U.S. Bankruptcy Code and give an example of how this affects this contract.

Response: Generally, the Bankruptcy court recognizes and enforces a forward contract, as that term is defined in the Bankruptcy Code. A forward contract is distinguished from an executory contract, where trustee has the right to accept or reject such agreement. The Netting Agreement executed by and between the Company and BP Energy is designated a forward contract, and seeks to attain protection so that if BP Energy ever filed for Bankruptcy protection, the Netting Agreement, which ensures that the Company either receives payment of savings or can offset savings against amounts owed to BP Energy, would be enforced by the Bankruptcy Court.

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-37: Under the Allocation Agreement, Exhibit B-10 of the Optimization Agreement, section 3, it states that the Companies may allocate savings by agreed-upon criteria or formula. What would cause the Companies to choose one form over the other? Please explain and give an example.

Response: See response to information request AG-1-3. For example, assume a transaction occurred that only affected the New England companies – that is, Connecticut Natural Gas, The Southern Connecticut Gas Company, and The Berkshire Gas Company. Depending on the transaction, the savings may be allocated equally among all the parties. Another scenario may allocate the savings based on the MDQ of each company. The type of transaction would determine which method would be appropriate.

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-38: Please explain by example the condition which would cause the allocation of savings, as described in section #3 of the Allocation Agreement, to be referred to the Senior Vice President of Transmission and Supply of Energy East Management.

Response: It should be noted, there has not been any instance during the term of the previous agreement or during this interim period whereby the allocation of savings had to be referred to the Senior Vice President of Transmission and Supply of Energy East Management. The Company does not expect this to occur through the term of this Agreement.

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-39: What types of services has BP provided, such as, commodity, portfolio management, general asset management, to the Company within the last three year? What was the savings for the Company?

Response: The Company had no other relationship with BP within the last three years other than the Optimization Agreement and the Gas Sales and Purchase Agreement that was approved by the Department in D.T.E. 01-41. Please refer to the response to information request AG-1-2 for a description of the savings achieved under the Agreement.

**Department of Telecommunications and Energy
First Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: May 22, 2002

Question:

D.T.E. 1-40: Please provide a detailed listing of Portfolio Optimization activities that may be utilized under this Agreement. Please give specific examples.

Response: See Exhibit B-2 of the Optimization Agreement and the response to information request D.T.E. 1-34.